

# **Missouri Housing Development Commission**

Accountants' Report and Financial Statements

June 30, 2009 and 2008



*Strength, Dignity, Quality of Life*

**MISSOURI HOUSING**

DEVELOPMENT COMMISSION

# **Missouri Housing Development Commission**

## **June 30, 2009 and 2008**

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## **Independent Accountants' Report on Financial Statements and Supplementary Information**

The Commissioners  
Missouri Housing Development Commission  
Kansas City, Missouri

We have audited the accompanying balance sheets of Missouri Housing Development Commission (the Commission) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 11*, in 2008 the Commission retroactively changed its method of accounting for certain loans, mortgage-backed securities and loan origination fees and costs.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 18, 2009

# **Missouri Housing Development Commission**

## **Management's Discussion and Analysis**

### **June 30, 2009 and 2008**

Our discussion and analysis of Missouri Housing Development Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2009 and June 30, 2008. Please read it in conjunction with the Commission's financial statements and accompanying notes.

#### ***Introduction – Missouri Housing Development Commission***

The Missouri Housing Development Commission (the "Commission") was established by the 75th Missouri General Assembly in 1969 and is the housing finance agency for the state of Missouri. The Commission is entirely self-supporting and does not draw upon the general taxing authority of the State. The Commission sells tax-exempt and taxable bonds and notes, for the purposes of financing owner-occupied residential mortgage loans for lower and moderate-income persons and providing construction and long-term financing for rental developments to be occupied by lower and moderate-income persons. The Commission's net assets are also a source of funding for such loans and other housing-related programs.

The Commission conducts other programs related to its housing finance activities, including administering the federal and state housing tax credits for the state of Missouri. The Commission also administers contracts for the Project Based Section 8 program, which provides rental subsidies from federal funds, on a fee basis.

#### ***Overview of the Financial Statements***

This annual financial report consists of three parts: Management's Discussion and Analysis; the financial statements, including notes to the financial statements; and supplemental schedules. The Commission is a self-supporting entity and follows enterprise fund reporting, using the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Commission.

#### ***2009 Financial Highlights***

- Total assets were \$2.31 billion, an increase of 1.6% from June 30, 2008.
- Fiscal year 2009 mortgage investment purchases and originations totaled \$126.9 million as compared to \$347.1 million in fiscal year 2008.
- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled \$115.0 million in fiscal year 2009 and totaled \$180.2 million in fiscal year 2008. \$115.0 million of the bonds issued in fiscal year 2009 and \$166.0 million in fiscal year 2008 were rated AAA by Standard & Poor's Rating Services.
- Total revenues were \$287.2 million in fiscal year 2009, an increase of 8.2% from fiscal year 2008. Excluding the net change in fair value of investments, total revenues were \$237.5 million in fiscal year 2009, representing a decrease of 0.7%.

# **Missouri Housing Development Commission**

## **Management's Discussion and Analysis**

### **June 30, 2009 and 2008**

- Net operating income, excluding the net change in fair value of investments, was \$21.1 million in fiscal year 2009 as compared to \$24.7 million in fiscal year 2008.
- Net assets increased \$70.8 million (14.6%) as of June 30, 2009. Excluding the change in fair value of investments, net assets increased \$21.0 million (4.1%) as of June 30, 2009.
- Standard and Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

#### ***2008 Financial Highlights***

- Total assets were \$2.28 billion, an increase of 4.9% from June 30, 2007.
- Fiscal year 2008 mortgage investment purchases and originations totaled \$347.1 million as compared to \$430.9 million in fiscal year 2007.
- Single Family Homeownership Loan Program and multifamily housing bonds issued totaled \$180.2 million in fiscal year 2008 and totaled \$336.2 million in fiscal year 2007. \$166.0 million of the bonds issued in fiscal year 2008 and \$295.0 million in fiscal year 2007 were rated AAA by Standard & Poor's Rating Services.
- Total revenues were \$265.4 million in fiscal year 2008, an increase of 19.4% from fiscal year 2007. Excluding the net change in fair value of investments, total revenues were \$239.2 million in fiscal year 2008, representing an increase of 7.2%.
- Net operating income, excluding the net change in fair value of investments, was \$24.7 million in fiscal year 2008 as compared to \$23.4 million in fiscal year 2007.
- Net assets increased \$50.9 million (11.7%) as of June 30, 2008. Excluding the change in fair value of investments, net assets increased \$26.0 million (5.4%) as of June 30, 2008.
- Standard & Poor's Rating Services continued the Commission's AA+ Issuer Credit Rating, with a rating outlook for the intermediate to longer term of stable.

# Missouri Housing Development Commission

## Management's Discussion and Analysis

### June 30, 2009 and 2008

#### **Financial Position**

The following table summarizes the Commission's current, restricted and noncurrent assets and liabilities and displays restricted and unrestricted net assets as of June 30, 2009, June 30, 2008 and June 30, 2007.

#### **Condensed Financial Information** **Assets, Liabilities and Net Assets (In Thousands)**

	June 30,			\$ change	
	2009	2008	2007	2009 vs 2008	2008 vs 2007
<b>Assets</b>					
Current assets	\$ 58,024	\$ 40,701	\$ 59,697	\$ 17,323	\$ (18,996)
Restricted investments	250,475	237,829	325,711	12,646	(87,882)
Restricted mortgage investments	1,655,786	1,711,254	1,562,506	(55,468)	148,748
Other restricted assets	137,893	70,611	63,168	67,282	7,443
Capital assets	1,214	771	917	443	(146)
Other	206,999	214,002	157,824	(7,003)	56,178
Total assets	<u>\$ 2,310,391</u>	<u>\$ 2,275,168</u>	<u>\$ 2,169,823</u>	<u>\$ 35,223</u>	<u>\$ 105,345</u>
<b>Liabilities</b>					
Current liabilities	\$ 3,274	\$ 2,184	\$ 2,283	\$ 1,090	\$ (99)
Current liabilities – payable from restricted assets	180,177	174,101	123,887	6,076	50,214
Long-term bonds payable	1,563,117	1,606,891	1,603,181	(43,774)	3,710
Other	8,507	7,441	6,781	1,066	660
Total liabilities	<u>\$ 1,755,075</u>	<u>\$ 1,790,617</u>	<u>\$ 1,736,132</u>	<u>\$ (35,542)</u>	<u>\$ 54,485</u>
<b>Net Assets</b>					
Invested in capital assets	\$ 1,214	\$ 771	\$ 917	\$ 443	\$ (146)
Restricted	279,665	219,566	272,620	60,099	(53,054)
Unrestricted	274,437	264,214	160,154	10,223	104,060
Total net assets	<u>\$ 555,316</u>	<u>\$ 484,551</u>	<u>\$ 433,691</u>	<u>\$ 70,765</u>	<u>\$ 50,860</u>

# Missouri Housing Development Commission

## Management's Discussion and Analysis

### June 30, 2009 and 2008

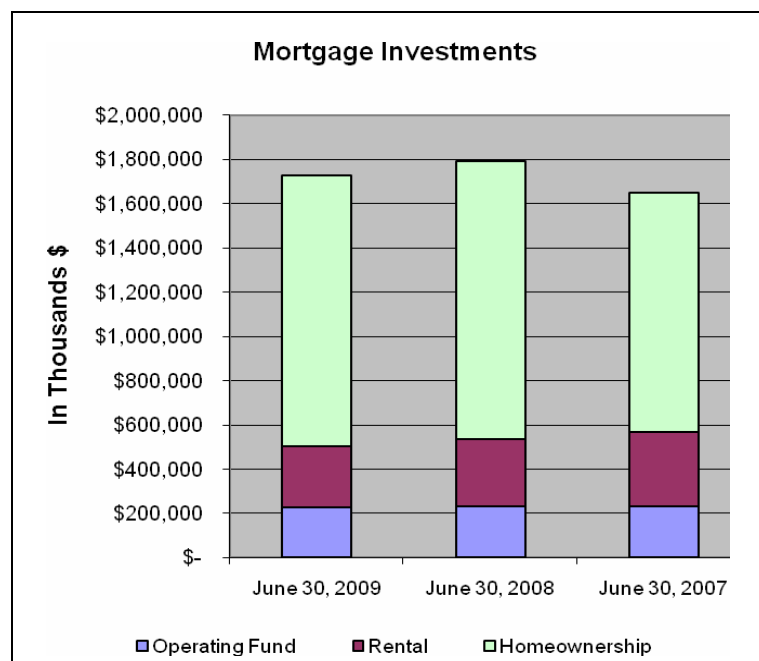
#### Investments

Investments consist of collateralized certificates of deposit, U.S. government and agency fixed rate securities, guaranteed investment agreement contracts and repurchase agreements. The Commission's investment policy emphasizes preservation of principal. At June 30, 2009, the Commission had \$425.5 million in investments as compared to \$385.0 million at June 30, 2008, and \$441.1 million at June 30, 2007.

#### Mortgage Investments

The Commission's mortgage investments decreased 3.8% during fiscal year 2009 and increased 8.8% during fiscal year 2008. Mortgage investments comprise 74.8% of the Commission's total assets at June 30, 2009, as compared to 78.9% at June 30, 2008, and 76.1% at June 30, 2007. GNMA, Fannie Mae and FHLMC mortgage-backed securities (MBS) comprise 71.0% of the Commission's mortgage investments at June 30, 2009, compared to 70.3% at June 30, 2008, and 65.8% at June 30, 2007. In fiscal year 2009 new loans totaled \$126.9 million, with prepayment activity and change in fair value resulting in a net decrease of \$67.5 million in the mortgage investment portfolio as reported. In fiscal year 2008 new loans totaled \$347.1 million, with prepayment activity and change in fair value resulting in a net increase of \$144.6 million in the mortgage portfolio as reported. The Commission's loan portfolio is low-risk, with over 99% of the homeownership loan portfolio being GNMA, Fannie Mae and FHLMC MBS and a significant portion of its bond-financed rental loan portfolio backed by FHA insurance including Risk-Share loans. The Commission's loan loss reserve is 2.5% of total loans at June 30, 2009 (2.4% at June 30, 2008, and 2.6% at June 30, 2007), which is allocated to uninsured loans, Risk-Share loans and related accrued interest on such loans.

The mix of mortgage investments among operating fund loans, rental and homeownership bond-financed programs at June 30, 2009, June 30, 2008 and June 30, 2007, is depicted in the following chart:





# **Missouri Housing Development Commission**

## **Management's Discussion and Analysis**

### **June 30, 2009 and 2008**

The Commission's operating fund loans as reported are comprised of loans financed with fund balances (net assets) totaling \$95.9 million at June 30, 2009, as compared to \$107.2 million at June 30, 2008, and \$111.3 million at June 30, 2007. The operating fund loans also include loans financed by the federal HOME Investment Partnership Program totaling \$130.7 million at June 30, 2009, as compared to \$124.9 million at June 30, 2008, and \$119.6 million at June 30, 2007. The Commission's rental loan portfolio includes FHA-insured Risk-Share mortgage loans, in which the Commission participates in fifty percent of the insured risk. These loans totaled \$157.7 million at June 30, 2009, \$161.7 million at June 30, 2008, and \$171.2 million at June 30, 2007. The Commission's rental loan portfolio also includes conduit loans, which totaled \$104.3 million at June 30, 2009, \$121.4 million at June 30, 2008, and \$126.9 million at June 30, 2007. The conduit loans are financed by the borrowers with limited obligation revenue bonds.

#### ***Debt***

At June 30, 2009, the Commission had \$1.65 billion in bonds and notes outstanding as compared to \$1.69 billion outstanding at June 30, 2008, and \$1.64 billion at June 30, 2007.

During fiscal year 2009, new debt resulted from issuance of three series of homeownership mortgage revenue bonds, which totaled \$115.0 million. The overall net decrease in debt during fiscal year 2009 resulted from principal payments and redemptions that exceeded the current year issuances. During fiscal year 2008, new debt resulted from the issuance of three series of homeownership mortgage revenue bonds, which totaled \$166.0 million, and eight rental housing revenue conduit bond series totaling \$14.2 million. The overall net increase in debt during fiscal year 2008 resulted from the current year issuances that exceeded principal payments and redemptions. For additional information, see *Note 5, Long-Term Liabilities*, in the Notes to Financial Statements.

#### ***Net Assets***

The Commission continues to demonstrate a strong financial position. Excluding the effects of fair value reporting and conduit bond assets, net worth ratio (net assets as compared to total assets) was 24.4% at June 30, 2009, as compared to 23.4% at June 30, 2008, and 23.1% at June 30, 2007. Excluding unrealized gains and losses, net assets were \$531.3 million at June 30, 2009, \$510.3 million at June 30, 2008, and \$484.3 million at June 30, 2007, representing growth of 4.1% in fiscal year 2009, growth of 5.4% in fiscal year 2008 and growth of 4.1% in fiscal year 2007. A significant portion of the Commission's net assets are restricted by bond indenture, grant agreements and other legal requirements.

#### ***Operating Activities***

The following table summarizes the Commission's revenues, expenses and changes in net assets for fiscal years 2009, 2008 and 2007.

# Missouri Housing Development Commission

## Management's Discussion and Analysis

### June 30, 2009 and 2008

#### Condensed Financial Information

##### Revenues, Expenses and Changes in Net Assets (In Thousands)

				\$ change	
	2009	2008	2007	2009 vs 2008	2008 vs 2007
<b>Operating Revenues</b>					
Interest and investment income	\$ 145,355	\$ 127,994	\$ 91,050	\$ 17,361	\$ 36,944
Grants and federal assistance	125,043	120,811	114,291	4,232	6,520
Other	16,837	16,566	16,965	271	(399)
Total operating revenues	<u>287,235</u>	<u>265,371</u>	<u>222,306</u>	<u>21,864</u>	<u>43,065</u>
<b>Operating Expenses</b>					
Interest expense	77,509	78,792	70,930	(1,283)	7,862
Compensation and administrative	12,814	11,949	11,702	865	247
Grants and federal assistance	119,887	116,727	107,043	3,160	9,684
Other	6,260	7,043	10,186	(783)	(3,143)
Total operating expenses	<u>216,470</u>	<u>214,511</u>	<u>199,861</u>	<u>1,959</u>	<u>14,650</u>
<b>Change in Net Assets</b>	<u>\$ 70,765</u>	<u>\$ 50,860</u>	<u>\$ 22,445</u>	<u>\$ 19,905</u>	<u>\$ 28,415</u>

While the Commission continues to demonstrate strong financial activity, the economy and market conditions have affected financial results. During fiscal year 2009, overall revenues increased due, primarily, to fair value adjustments. Interest and investment income increased \$17.4 million in fiscal year 2009 primarily due to the increase in the fair value of investments. During fiscal year 2008, overall revenues increased due, primarily, to fair value adjustments. Interest and investment income increased \$36.9 million in fiscal year 2008 primarily due to the increase in fair value of investments. Excluding the effects of fair value reporting, the change in net assets was an increase of \$21.1 million in fiscal year 2009, \$24.7 million in fiscal year 2008 and \$23.4 million in fiscal year 2007, demonstrating continued financial strength. The return on average equity and the return on average assets, excluding the effects of fair value reporting, federal grant activity and conduit bond-financed assets, were 3.06% and 0.73%, respectively, for fiscal year 2009. This compares to 4.14% and 0.96%, respectively, for fiscal year 2008.

#### **Revenues**

Interest and investment income totaled \$145.4 million in fiscal year 2009 as compared to \$128.0 million in fiscal year 2008 (an increase of 13.6% in fiscal year 2009) and as compared to \$91.1 million in fiscal year 2007 (an increase of 40.6% in fiscal year 2008). This income includes a fair value increase of \$49.7 million in fiscal year 2009, a fair value increase of \$26.2 million in fiscal year 2008 and a fair value decrease of \$0.9 million in fiscal year 2007. During fiscal year 2009 decreasing interest rates caused a corresponding increase in the value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income decreased 6.0% in fiscal year 2009, reflecting the

# **Missouri Housing Development Commission**

## **Management's Discussion and Analysis**

### **June 30, 2009 and 2008**

decrease in the Commission's loan asset base and decreases in interest rates and earnings as compared to the prior year. During fiscal year 2008 decreasing interest rates caused a corresponding increase in the value of the Commission's portfolio of mortgage-backed securities and other investments. Without the fair value adjustments, interest and investment income rose 10.7% in fiscal year 2008, reflecting the growth in the Commission's asset base and some increase in interest rates and earnings compared to the prior year. Depending on future financial markets, interest rate fluctuations are expected to have continuing material effects on the Commission's financial statements.

#### ***Grants and Federal Assistance***

Federal and state grant program revenues and expenses represent activity related to projects funded by the U.S. Department of Housing and Urban Development (including Section 8 Contract Administration and HOME Investment Partnership) and other federal programs. These revenues totaled \$125.0 million in fiscal year 2009 as compared to \$120.8 million in fiscal year 2008 and \$114.3 million in fiscal year 2007 while expenses incurred were \$119.9 million in fiscal year 2009, \$116.7 million in fiscal year 2008 and \$107.0 million in fiscal year 2007. The fiscal year 2009 increase was primarily due to increased Section 8 Contract Administration rental assistance payments and HOME Investment Partnership payments. The fiscal year 2008 increase is primarily due to increased Section 8 Contract Administration rental assistance payments. These programs, along with federal and state tax credit programs, are integral to the Commission's achievement of its objectives. The Commission continues to make the most of federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Missourians.

#### ***Expenses***

Interest costs were \$77.5 million for fiscal year 2009 as compared to \$78.8 million for fiscal year 2008 (a decrease of 1.6% in fiscal year 2009) and \$70.9 million for fiscal year 2007 (an increase of 11.1% in fiscal year 2008). The fiscal year 2009 decrease is primarily attributable to the overall decrease in the level of debt outstanding and some decrease in the rates on newer debt issues. The fiscal year 2008 increase is primarily attributable to the overall increase in the level of debt outstanding and some increases in the rates of newer debt issues.

Beyond the costs associated with debt financing, the Commission's chief operating costs consist of compensation, facilities rent, information systems, professional services and travel expenses. These costs totaled \$12.8 million in fiscal year 2009 (\$11.9 million in fiscal year 2008 and \$11.7 million in fiscal year 2007). Excluding the net change in the fair value of investments, these costs represented 5.4% of revenues in fiscal year 2009 as compared to 5.0% of revenues in fiscal year 2008 and 5.2% of revenues in fiscal year 2007.

#### ***Contacting MHDC's Financial Management***

This financial report is designed to provide the Commission's stakeholders with a general overview of the Commission's finances and to demonstrate accountability of resources. If you have questions about this report or need additional financial information, contact Marilyn Lappin, Director of Finance, Missouri Housing Development Commission, 3435 Broadway, Kansas City, Missouri, 64111 or visit our website at [www.mhdc.com](http://www.mhdc.com).

# Missouri Housing Development Commission

## Balance Sheets

June 30, 2009 and 2008

(In Thousands)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,723	\$ 21,313
Investments	31,864	12,553
Mortgage investments	7,777	4,295
Accrued interest receivable	1,989	2,218
Accounts receivable – other	636	272
Prepaid expenses	35	50
Total current assets	58,024	40,701
<b>Noncurrent Assets</b>		
Restricted assets		
Cash and cash equivalents	118,376	49,571
Investments	250,475	237,829
Mortgage investments	1,655,786	1,711,254
Accrued interest receivable	7,907	8,802
Deferred financing charges	11,610	12,195
Accounts receivable – other	-	43
Total restricted assets	2,044,154	2,019,694
Investments	143,202	134,652
Mortgage investments, net of current portion and allowances for loan losses of \$42,768 and \$42,796 at June 30, 2009 and 2008, respectively	63,797	79,350
Capital assets, less accumulated depreciation of \$1,942 and \$1,563 at June 30, 2009 and 2008, respectively	1,214	771
Total noncurrent assets	2,252,367	2,234,467
Total assets	\$ 2,310,391	\$ 2,275,168

## Liabilities and Net Assets

	2009	2008
<b>Current Liabilities</b>		
Bonds and notes payable	\$ 1,132	\$ 515
Accounts payable	1,162	777
Deferred revenue	980	892
Total current liabilities	3,274	2,184
<b>Current Liabilities – Payable From Restricted Assets</b>		
Bonds and notes payable	82,717	80,249
Accrued interest payable	26,069	27,294
Escrow deposits	70,143	64,931
Rent subsidies and other payables	519	793
Accounts payable	729	834
Total current liabilities – payable from restricted assets	180,177	174,101
<b>Noncurrent Liabilities</b>		
Bonds and notes payable	500	1,000
Deferred revenue	8,507	7,441
Payable from restricted assets		
Bonds and notes payable	1,562,617	1,605,891
Total noncurrent liabilities	1,571,624	1,614,332
Total liabilities	1,755,075	1,790,617
<b>Net Assets</b>		
Invested in capital assets	1,214	771
Restricted	279,665	219,566
Unrestricted	274,437	264,214
Total net assets	555,316	484,551
Total liabilities and net assets	\$ 2,310,391	\$ 2,275,168

**Missouri Housing Development Commission**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**  
**(In Thousands)**

	<b>2009</b>	<b>2008</b>
<b>Operating Revenues</b>		
Interest and investment income		
Income – mortgage investments	\$ 82,756	\$ 83,803
Income – investments	12,913	18,027
Net increase in fair value of investments	49,686	26,164
	<hr/>	<hr/>
Total interest and investment income	145,355	127,994
Administration fees	7,042	6,945
Other income	9,795	9,621
Federal program income	125,043	120,811
	<hr/>	<hr/>
Total operating revenues	287,235	265,371
	<hr/>	<hr/>
<b>Operating Expenses</b>		
Interest expense on bonds	77,509	78,792
Bond debt expense	351	365
Compensation	8,780	8,097
General and administrative expenses	4,034	3,852
Provision for loan and real estate owned losses	-	745
Rent and other subsidy payments	1,402	1,667
Housing Trust Fund grants	4,507	4,266
Federal program expenses	119,887	116,727
	<hr/>	<hr/>
Total operating expenses	216,470	214,511
	<hr/>	<hr/>
<b>Change in Net Assets</b>	70,765	50,860
	<hr/>	<hr/>
<b>Net Assets, Beginning of Year, as Previously Reported</b>	484,551	337,775
Adjustments applicable to prior years	-	95,916
	<hr/>	<hr/>
<b>Net Assets, Beginning of Year, as Restated</b>	484,551	433,691
	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	\$ 555,316	\$ 484,551
	<hr/>	<hr/>

# Missouri Housing Development Commission

## Statements of Cash Flows

Years Ended June 30, 2009 and 2008

(In Thousands)

	2009	2008
<b>Cash Flows From Operating Activities</b>		
Interest received on mortgage investments	\$ 87,334	\$ 87,372
Fees, charges and other	14,850	16,408
Principal repayments on mortgage loans	237,233	220,869
Disbursements of mortgage loans	(126,875)	(347,052)
Federal revenue	125,043	120,811
Federal expenses	(119,887)	(116,727)
Collection of compliance and origination fees	2,924	1,619
Cash payments for compensation, administrative and other costs	(8,780)	(8,097)
Other operating payments	(9,922)	(10,371)
Net cash provided by (used in) operating activities	201,920	(35,168)
<b>Cash Flows From Noncapital Financing Activities</b>		
Retirement of principal on bonds	(211,276)	(212,966)
Proceeds from issuance of bonds	175,777	267,323
Interest paid on bonds	(82,249)	(80,114)
Deferred financing charges paid	(1,089)	(1,853)
Change in escrow deposits	5,212	2,854
Net cash used in noncapital financing activities	(113,625)	(24,756)
<b>Cash Flows Used In Capital and Related Financing Activities</b>		
Payments for capital assets	(822)	(204)
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(593,289)	(808,972)
Proceeds from maturities and sales of investments	555,275	869,069
Interest received on investments	13,756	18,027
Net cash provided by (used in) investing activities	(24,258)	78,124
<b>Net Increase in Cash and Cash Equivalents</b>	63,215	17,996
<b>Cash and Cash Equivalents, Beginning of Year</b>	70,884	52,888
<b>Cash and Cash Equivalents, End of Year</b>	\$ 134,099	\$ 70,884

# Missouri Housing Development Commission

## Statements of Cash Flows

Years Ended June 30, 2009 and 2008

(In Thousands)

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of Increase In Net Assets To</b>		
<b>Net Cash Provided By (Used In) Operating Activities</b>		
Increase in net assets	\$ 70,765	\$ 50,860
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	379	350
Net increase in fair value of investments	(49,686)	(26,164)
Amortization of discounts on loans	4,402	3,006
Compliance and origination fee receipts	2,820	1,619
Amortization of deferred revenue	(1,666)	(863)
Income – investments	(12,913)	(18,027)
Provision for loan losses	-	745
Principal repayments on mortgage loans	237,233	220,869
Disbursements of mortgage loans	(126,903)	(347,052)
Interest expense related to bonds	77,509	78,792
Change in assets and liabilities		
Decrease (increase) in accounts receivable	(321)	706
Decrease in accrued interest receivable	280	563
Decrease in prepaid expenses	15	5
Increase (decrease) in accounts payable	6	(577)
	<u>\$ 201,920</u>	<u>\$ (35,168)</u>



# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

The Missouri Housing Development Commission (the "Commission") is a body corporate and politic established on October 13, 1969, by Chapter 215 of the Missouri State Statutes. In accordance with the provisions of Chapter 215 and resolutions of the Commission, the Commission is authorized to make or purchase mortgage loans that are uninsured, partially insured or insured or guaranteed by the federal government and to insure mortgage loans, the funds of which are to be used to develop new or rehabilitated low- and moderate-income housing. The Commission is also authorized to issue bonds for making or purchasing such loans. The outstanding balance of bonds applicable to loans not insured or guaranteed by a federal agency or to bonds rated lower than "AA" by rating agencies at the time of issuance shall not exceed \$200,000,000. At June 30, 2009 and 2008, the Commission had \$80,933,000 and \$97,630,000, respectively, of bonds outstanding applicable to loans that are not so insured or guaranteed or to bonds that are not so rated. Bonds issued by the Commission are not an obligation of the state of Missouri.

#### *Reporting Entity*

The Commission defines its reporting entity to include all component units for which the Commission is financially accountable. The extent of financial accountability is based upon several criteria including: appointment of a voting majority of the governing body, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. No separate entities meet the requirements to be considered component units of the Commission.

Pursuant to the requirements of the Governmental Accounting Standards Board (GASB), the Commission is considered a related organization of the state of Missouri for financial reporting purposes. Accordingly, the Commission is included as a footnote disclosure in the state of Missouri's comprehensive annual financial report.

For financial reporting purposes, the Commission reports its operations as a single enterprise fund. Accordingly, the accounting records are maintained on the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Commission's financial statements are prepared using the flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the balance sheet. The statement of revenues, expenses and changes in net assets presents increases, *i.e.*, revenues, and decreases, *i.e.*, expenses, in total net assets.

Revenues and expense are typically divided into operating and nonoperating items. Operating revenues generally result from providing services in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are derived from the investment income from loans and investments, financing fees, federal program funding and other charges related to providing financing for affordable housing through mortgage loans and grants. Operating expenses consists primarily of interest expense on bonds outstanding and federal

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

program expenses. All revenues and expenses not meeting these definitions would be reported as nonoperating revenues and expenses. The Commission has no nonoperating activities.

The Commission follows all GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Commission has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, as prescribed by GASB Statement No. 20.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and temporary investments with an original maturity of three months or less. At June 30, 2009 and 2008, cash equivalents consisted primarily of certificates of deposit, overnight repurchase agreements and money market funds.

### ***Investments***

As required by GASB Statement No. 31, *Accounting for and Financial Reporting for Certain Investments and External Investment Pools*, securities purchased under agreements to resell, U.S. government and agency securities, and mortgage-backed securities are reported at fair value as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services on the valuation date. For the years ended June 30, 2009 and 2008, the net increase in fair value of investments was \$49,686,000 and \$26,164,000, respectively. Without the recognition of this element of investment income, the Commission's change in net assets would have been \$21,079,000 in 2009 and \$24,696,000 in 2008.

### ***Mortgage Investments***

Proceeds from the sale of bonds are used to make or purchase mortgage loans and to purchase mortgage-backed securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA), Fannie Mae or the Federal Home Loan Mortgage Corporation (FHLMC) and backed by pools of qualifying mortgage loans. Advances made on such loans during the construction period of related housing units are recorded as construction loans and are transferred to mortgage loans upon final endorsement after construction

# **Missouri Housing Development Commission**

## **Notes to Financial Statements**

**June 30, 2009 and 2008**

completion. Mortgage and construction loans are reported at cost, while GNMA, Fannie Mae and FHLMC mortgage-backed securities are reported at fair value as determined by external investment custodians and quoted market prices.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are evaluated for nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

### ***Allowance for Loan Losses***

The allowance for loan losses is for uninsured loans, Risk-Share loans and related accrued interest on such loans. The allowance is management's estimate of uncollectible loans and related accrued interest and is based on existing payment conditions, prior experience and such other factors that, in management's opinion, require consideration. For financial statement presentation, the allowance for loan losses has been netted against the noncurrent portion of mortgage and construction loans.

### ***Deferred Financing Charges***

Costs of issuance of bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

### ***Original Issue Discounts/Premiums***

Costs of issuance of bonds are deferred and amortized over the life of the related issue using the outstanding bond method, which approximates the effective interest method.

### ***Capital Assets***

Capital assets consist of leasehold improvements, software, office furniture and equipment, which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to nine years. The Commission defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year.

### ***Arbitrage Rebate***

Federal income tax rules limit the investment and loan yields which the Commission may retain for its own use from investing the proceeds of certain tax-exempt bond issues. The excess yields payable to the U.S. Treasury are included in accounts payable and are based on estimated calculations performed by an independent valuation specialist on an ongoing basis.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### **Net Assets**

Net assets are classified as follows:

Invested in Capital Assets: This component of net assets consists of capital assets, net of accumulated depreciation.

Restricted: This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors, grantors, contributions, laws or regulations of other governments, bond resolution or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets.

### **Fees, Charges and Expenses**

Deferred revenue consists primarily of tax credit fees and compliance monitoring fees that are recognized as income over the contractual periods.

Service and other fees and charges are recorded as income when earned and the associated administrative expenses are recorded as incurred.

Operating expenses identifiable to a particular program are charged directly to the program. All other operating expenses are accounted for by the Commission in the Operating Fund (see *Note 2*).

### **Federal Assistance and Grants**

The Commission administers grants and federal assistance programs, representing “pass-through” financial assistance, on the behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Commission recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of the Commission.

Grants received from federal, state and local governments are recognized as operating revenue as the related expenditures are incurred in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

### **Debt Refunding**

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the bonds outstanding method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

# **Missouri Housing Development Commission**

## **Notes to Financial Statements**

**June 30, 2009 and 2008**

### ***Reclassifications***

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation. The reclassifications had no effect on the changes in financial position.

### **Note 2: Description of Funds or Programs**

The following describes the funds or programs maintained by the Commission, all of which conform to Chapter 215 of the Missouri State Statutes and the respective bond resolutions.

#### ***Operating Fund***

Funding of the Operating Fund on an ongoing basis is derived principally from allowable transfers from other funds, fees earned for administering various U.S. Department of Housing and Urban Development (HUD) programs, and interest income from Operating Fund investments and mortgage loans. Mortgage and construction loans in the Operating Fund are collateralized by deeds of trust on the related properties, including approximately \$9,634,000 and \$11,337,000 at June 30, 2009 and 2008, respectively, which are insured by HUD or guaranteed by the Veterans Administration (VA). These insured loans include \$4,189,000 and \$4,281,000 at June 30, 2009 and 2008, respectively, which are FHA-insured "Risk-Share Mortgage Loans," as described in *Note 4*. Authorized activities of the Operating Fund include the following:

- Payment of general and administrative expenses and other costs not payable by other funds of the Commission.
- Financing rental or homeownership residential housing units from accumulated fund balances, if financing of such units is not provided for under existing bond indentures.
- Those activities deemed necessary to fulfill the Commission's corporate purposes for which special funds are not established.

The Commission administers the Missouri Housing Trust Fund, which provides for a variety of housing needs, such as emergency home repair, emergency rent, mortgage or utility payments, acquisition, rehabilitation or new construction of transitional housing and related services for very low-income families and individuals. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo and its financial activities are included in the financial statements of the Commission. In addition, separate financial statements for the Missouri Housing Trust Fund may be obtained through the Commission.

#### ***Rental Bond-Financed Program Fund***

The Commission's Rental Bond-Financed Program Fund was established to account for the proceeds from the bond sales, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible rental developments. All loans, with the exception of most of the loans financed by conduit Rental Housing Revenue Bonds, are insured by HUD. Uninsured

# Missouri Housing Development Commission

## Notes to Financial Statements

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conduit loans, which totaled \$94,818,000 and \$111,755,000 at June 30, 2009 and 2008, respectively, are financed by the borrowers with limited obligation revenue bonds which are denoted by “\*\*\*” in *Note 5*.

### **Homeownership Bond-Financed Program Fund**

The Commission’s Homeownership Bond-Financed Program Fund was established to account for the proceeds from the sale of bonds, debt service requirements and the related mortgage loans and mortgage-backed securities on eligible owner-occupied units. All loans are either insured by the Federal Housing Administration or qualified private mortgage insurers or guaranteed by the VA or USDA/RD.

### **Note 3: Cash and Investments**

A summary of cash and investments as of June 30, 2009 and 2008, is as follows (*in thousands*):

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash	\$ 15,615	\$ 15,615	\$ 20,847	\$ 20,847
Securities purchased under agreements to resell	5,683	5,683	15,200	15,200
Certificates of deposit	7,000	7,000	-	-
Money market funds	105,801	105,801	34,837	34,837
Total cash and cash equivalents	<u>134,099</u>	<u>134,099</u>	<u>70,884</u>	<u>70,884</u>
Investments				
Certificates of deposit	63,935	63,935	-	-
Securities purchased under agreements to resell	-	-	40,432	40,432
U.S. Treasury bonds and notes and agency obligations	223,105	225,889	220,082	220,329
Guaranteed investment contracts	135,717	135,717	124,273	124,273
Total investments	<u>422,757</u>	<u>425,541</u>	<u>384,787</u>	<u>385,034</u>
Total cash and cash equivalents and investments	<u>\$ 556,856</u>	<u>\$ 559,640</u>	<u>\$ 455,671</u>	<u>\$ 455,918</u>

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### ***Investment Policy***

#### **General**

The Commission's Investment Policy and Guidelines are formalized in Resolution No. 925. This policy applies to investments that are not held by a trustee in connection with bond or note issues. This policy permits the Commission to invest in obligations of the state of Missouri, obligations of the United States of America, obligations issued or guaranteed by certain agencies of the federal government, certain collateralized repurchase agreements and certificates of deposit. The general policy of the Commission is to make investments for future funding requirements and not for trading purposes. At June 30, 2009, all of the Commission's general investments (nonbond related investments) were in compliance with the Commission's Investment Policy and Guidelines.

#### **Indentures**

The Commission's Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, certificates of deposit, investment agreements and certain other investments permitted by applicable law. At June 30, 2009, all investments of debt-related issues held by the Commission's trustees were in compliance with the requirements of the Indentures.

### ***Investment Maturities***

As of June 30, 2009 and 2008, the Commission had the following investments and maturities (amounts are in thousands):

Investment Type	June 30, 2009				
	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of deposit	\$ 63,935	\$ 56,135	\$ 7,800	\$ -	\$ -
U.S. Treasury securities	6,950	1,338	85	-	5,527
U.S. agency securities	218,939	34,835	124,978	59,126	-
Guaranteed investment contracts	135,717	1,589	57,597	1,600	74,931
Total investments	<u>\$ 425,541</u>	<u>\$ 93,897</u>	<u>\$ 190,460</u>	<u>\$ 60,726</u>	<u>\$ 80,458</u>

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

Investment Type	June 30, 2008				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	\$ 40,432	\$ -	\$ 13,602	\$ -	\$ 26,830
U.S. Treasury securities	5,765	-	336	79	5,350
U.S. agency securities	214,564	33,460	108,341	72,763	-
Guaranteed investment contracts	124,273	1,909	47,971	1,630	72,763
Total investments	<u>\$ 385,034</u>	<u>\$ 35,369</u>	<u>\$ 170,250</u>	<u>\$ 74,472</u>	<u>\$ 104,943</u>

The Commission's Investment Policy and Guidelines limit investments for general funds in repurchase agreements to 90 days and U.S. Treasury and U.S. agency securities to 10 years. The demand repurchase agreements are collateralized by obligations of the United States of America or its agencies, and have a one-day demand of funds provision exercisable at the Commission's option. The bond resolutions and indentures allow for investments in obligations of the United States of America and investment agreements for the terms specified in these documents, generally 30 years.

At June 30, 2009, as reported at fair value, the Commission's U.S. agency securities consist of \$105,449,000 Federal Home Loan Bank (FHLB), \$59,804,000 Federal Farm Credit Bank (FFCB), \$37,533,000 FHLMC and \$16,153,000 Fannie Mae debt securities. Nonnegotiable certificates of deposit totaling \$63,935,000 are reported at cost.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of investments. The Commission manages interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations and debt service obligations, thereby avoiding the need to sell securities on the open market prior to maturity.

### Credit Risk

The Commission's investments in U.S. government agency securities and money market funds are rated in the highest rating category by Standard & Poor's (AAA) and Moody's Investor Services (Aaa). Repurchase agreements are unrated, but collateralized by U.S. agency securities. Guaranteed investment contracts are unrated. The contracts generally contain "termination" clauses so the Commission may withdraw funds early if credit ratings deteriorate below specified levels and collateral or a guarantee is not provided.



# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### **Concentration of Credit Risk**

The Commission places no limit on the amount the Commission may invest in any one issuer with respect to U.S. Treasury Securities and U.S. government agency securities. Obligations of the state of Missouri and collateralized certificates of deposit are limited to 60% of the nonbond fund portfolio, each. Collateralized repurchase agreements are limited to 50% of the nonbond fund portfolio. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2009:

<b>Issuer</b>	<b>Percent of Total Investments</b>
Federal Home Loan Bank	24.78%
Federal Farm Credit Bank	14.05%
Rabobank International, New York Branch	13.53%
Federal Home Loan Mortgage Corporation	8.82%
Commerce Bank	6.64%
Transamerica Life Insurance Company	5.68%

### **Custodial Credit Risk**

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the Commission addresses custodial credit risk by pre-qualifying institutions with which the Commission places investments, diversifying its investment portfolio and maintaining a standard of quality for its investments.

Investments in U.S. government and agency securities are carried at fair value. At June 30, 2009 and 2008, securities approximating \$204,941,000 and \$214,564,000, respectively, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Commission's name.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Commission may not be able to recover its deposits. Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by a single collateral pool established by the financial institution, or by irrevocable standby letters of credit issued by the Federal Home Loan Bank of Des Moines.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### Note 4: Mortgage Investments

Mortgage investments reflected in the balance sheet consist of the following as of June 30, 2009 and 2008 (*in thousands*):

	2009	2008
Total mortgage loan principal outstanding	\$ 547,784	\$ 578,940
Less: Allowance for mortgage loan losses	(42,768)	(42,796)
Deferred origination and commitment fees	(3,335)	(3,501)
Mortgage loans, net	501,681	532,643
Total mortgage-backed securities, net, at cost	1,204,484	1,288,254
Unrealized gain (loss) on securitized mortgage loans	21,195	(25,998)
Mortgage-backed securities, at fair value, net	1,225,679	1,262,256
Mortgage investments, net	\$ 1,727,360	\$ 1,794,899

Mortgages include loans financed by the federal HOME Investment Partnership Program totaling \$151,818,000 and \$145,500,000 as of June 30, 2009 and 2008, respectively. A portion of these loans totaling \$42,172,000 and \$39,794,000 at June 30, 2009 and 2008, respectively, include prepayment terms allowing deferment or repayment based on net income of the multifamily developments. An estimated allowance for mortgage loan losses of \$21,076,000 and \$20,605,000 is attributable to this portfolio at June 30, 2009 and 2008, respectively.

At June 30, 2009 and 2008, deferred financing costs net of servicing release fees of \$27,842,000 and \$32,401,000, respectively, have been netted with securitized mortgage loans which are ultimately recorded at fair value.

The Homeownership Bond-Financed Program generally requires that mortgage loans be made to borrowers whose household income does not exceed the statewide median income, based on family size. For loans financed with tax-exempt bond proceeds, Section 143 of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower. The Homeownership Bond-Financed Program provides funding for mortgage loans that are FHA insured, VA guaranteed, USDA/RD guaranteed or Fannie Mae-qualified conventional loans.

The Rental Bond-Financed Program provides long-term financing for rental housing developments for occupancy by families and persons of low and moderate incomes. The Commission has entered into a Risk Sharing Agreement with the U.S. Department of Housing and Urban Development (HUD), which permits the Commission to participate in HUD's Risk-Share Program. In accordance with the terms of this agreement, HUD will insure certain mortgage loans on rental housing developments (FHA-insured "Risk-Share Mortgage Loans") and the Commission will underwrite the Risk-Share Mortgage Loans following its underwriting guidelines. HUD will insure the Risk-Share Mortgage Loans and will bear 50% of the risk and the Commission will bear the remaining 50% of the risk. The Commission had Risk-Share Mortgage Loans totaling

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

\$157,740,000, representing 56 loans as of June 30, 2009, and \$161,685,000 representing 56 loans as of June 30, 2008.

The proceeds of the 1995 through 2009 Homeownership Bond-Financed Program, as well as proceeds of the Rental Housing Revenue Bonds and the Homeownership Mortgage Revenue Bonds as listed below, were used to purchase GNMA, Fannie Mae and FHLMC certificates collateralized by mortgage loans approved in accordance with the guidelines of the Commission's mortgage programs. The financing periods of the mortgage loans financed by the Homeownership and Rental Programs are 30 years. Mortgage-backed securities have repayments based on the underlying pooled mortgages and are subject to prepayment. The financing rates related to the mortgage-backed securities at June 30, 2009, are as follows:

Issue	Mortgage Rate	Certificate Rate
<b>Rental Housing Revenue Bonds</b>		
Series 1999	6.185%	5.185%
Series 2002 G	6.90%	6.65%
2005 Series I-A	5.85%	5.60%
<b>Homeownership Mortgage Revenue Bonds</b>		
Issue of November 1, 1986	8.25%	7.75%
1988 Series A	8.70%	8.20%
1988 Series B	8.80%	8.30%
1988 Series C	8.80%	8.30%
<b>Homeownership Loan Program (1995 Indenture)</b>		
1995 Series B	6.5%, 7.65%	6%, 7.15%
1995 Series C	7.75%	7.25%
1995 Series D	6.55%, 7.45%	6.05%, 6.95%
1996 Series A	7.72%	7.22%
1996 Series B	8%	7.50%
1996 Series C	7.87%	7.37%
1997 Series A	6.3%, 6.85%, 7.85%	5.8%, 6.35%, 7.35%
1997 Series A-4	6.84%	6.34%
1997 Series B	6.31%, 7.31%	5.81%, 6.81%
1997 Series C	7.35%	6.85%
1998 Series B	6.1%, 7%, 7.35%	5.6%, 6.5%, 6.85%
1998 Series D	6.05%, 6.67%, 6.95%, 7%	5.55%, 6.17%, 6.45%, 6.5%
1998 Series E	5.9%, 6.67%	5.4%, 6.17%
1999 Series A	5.87%, 6.62%	5.37%, 6.12%
1999 Series B	6.25%, 7.1%	5.75%, 6.6%
1999 Series C	6.77%, 7.62%	6.27%, 7.12%
2000 Series A	7.03%, 7.93%	6.53%, 7.43%
2000 Series B	6.97%, 7.87%	6.47%, 7.37%
2000 Series C	6.6%, 7.5%	6.1%, 7%

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

Issue	Mortgage Rate	Certificate Rate
<b>Homeownership Loan</b>		
<b>Program (1995 Indenture)</b>		
<b>(Continued)</b>		
2001 Series A	6.1%, 6.85%	5.6%, 6.35%
2001 Series B	6.16%, 6.91%	5.66%, 6.41%
2001 Series C	5.5%, 6.4%, 8.25%	5%, 5.9%, 7.75%
2002 Series A	6.05%, 6.84%	5.55%, 6.34%
2002 Series B	6.08%, 6.65%, 6.83%	5.58%, 6.15%, 6.33%
2002 Series C	5.2%, 6.1%, 6.79%	4.7%, 5.6%, 6.29%
2003 Series A	5.42%, 6.27%	4.92%, 5.77%
2003 Series B	5.25%, 5.85%, 6.09%, 7.45%	4.75%, 5.35%, 5.59%, 6.95%
2003 Series C	5.99%	5.49%
2003 Series D	5.08%, 6.08%	4.58%, 5.58%
2004 Series A	4.95%, 5.65%, 7.3%	4.45%, 5.15%, 6.8%
2004 Series B	5.9%, 5.95%, 6.6%	5.4%, 5.45%, 6.1%
2004 Series C	5.7%, 5.95%, 6.3%	5.2%, 5.45%, 5.8%
2004 Series D	5.875%	5.375%
2005 Series A	5.4%, 5.9%, 7.99%	4.9%, 5.4%, 7.49%
2005 Series B	5.6%, 6.1%	5.1%, 5.6%
2005 Series C	5.3%, 5.8%, 6.9%	4.8%, 5.3%, 6.4%
2005 Series D	5.6%, 6.125%	5.1%, 5.625%
2006 Series A	5.65%, 6.15%	5.15%, 5.65%
2006 Series B	5.75%, 6.25%	5.25%, 5.75%
2006 Series C	6%, 6.41%	5.5%, 5.91%
2006 Series D	6.3%, 6.71%	5.8%, 6.21%
2006 Series E	6.15%, 6.6%	5.65%, 6.1%
2007 Series A	5.9%, 6.35%	5.4%, 5.5%, 5.85%, 5.95%
2007 Series B	5.99%, 6.45%	5.49%, 5.59%, 5.95%, 6.05%
2007 Series C	5.95%, 6.4%	5.45%, 5.55%, 5.605%, 5.9%, 6.055%
2007 Series D	6.29%, 6.84%	5.79%, 5.945%, 6.34%, 6.495%
2007 Series E	6.04%, 6.49%	5.54%, 5.695%, 5.99%, 6.145%
2008 Series A	5.99%, 6.46%	5.49%, 5.645%, 5.96%, 6.115%
2008 Series B	5.25%, 5.65%, 5.70%, 6.25%, 6.45%, 6.65%, 6.7%, 6.9%, 7.1%, 7.3%	4.75%, 5.15%, 5.2%, 5.75% 5.95%, 6.04%, 6.15%, 6.2%, 6.4%, 6.6%, 6.8%, 7.04%
2008 Series C-1	6.19% , 6.31%, 6.5%, 6.69%, 7.15%, 7.29%	5.69%, 5.81%, 6%, 6.19%, 6.65%, 6.79%
2008 Series C-2	5.4%, 5.45%, 5.55%, 5.6%, 6.31%, 6.45%, 6.49%, 6.5%, 7.15%	4.9%, 4.95%, 5.05%, 5.1%, 5.81%, 5.95%, 5.99%, 6%, 6.65%
2008 Series C-3	6.19%, 6.31%, 6.45%, 6.49%	5.69%, 5.81%, 5.95%, 5.99%
2008 Series C-4	6.01%	5.51%

# Missouri Housing Development Commission

## Notes to Financial Statements

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GNMA, Fannie Mae and FHLMC certificates, which are included in mortgage investment balances, are presented in the balance sheet at fair value in accordance with GASB Statement No. 31. As of June 30, 2009, the par value of securitized mortgage loans consist of 75.3% GNMA, 21.3% Fannie Mae and 3.4% FHLMC certificates. All other loans included in mortgage investments are carried at cost. The following summarizes the carrying value and cost of mortgage investments:

	2009		2008	
	Carrying Value	Cost	Carrying Value	Cost
GNMA, Fannie Mae and FHLMC mortgage-backed securities	\$ 1,225,679	\$ 1,204,484	\$ 1,262,256	\$ 1,288,254
Other mortgage loans	544,449	544,449	575,439	575,439
Total mortgage investments	<u>\$ 1,770,128</u>	<u>\$ 1,748,933</u>	<u>\$ 1,837,695</u>	<u>\$ 1,863,693</u>

During 2009, the Commission realized a net loss of \$42,000 from the sale of investments, including securities called prior to maturity. During 2008, the Commission realized a net gain of \$1,302,000 from the sale of investments. The calculation of realized gains and losses is independent of the calculation of net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in a prior year. The net increase in fair value was \$49,686,000 in 2009 and \$26,164,000 in 2008. This amount takes into account all changes in fair value (including purchases and sales) that occurred during each respective year. The unrealized gain on investments held at June 30, 2009, was \$23,978,000 and the unrealized loss on investments held at June 30, 2008, was \$25,750,000.

### Note 5: Bonds Payable and Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2009 (in thousands):

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Amount Due Within One Year
Operating – notes payable	\$ 1,515	\$ 666	\$ (549)	\$ 1,632	\$ 1,132
Rental bond – financed program	308,912		(26,107)	282,805	8,406
Homeownership bond – financed program	1,338,293	175,211	(184,619)	1,328,885	70,928
Total bonds and notes payable	1,648,720	175,877	(211,275)	1,613,322	80,466
Unamortized premium, discount and deferred amount on refunding	38,935	(101)	(5,190)	33,644	3,383
Total bonds and notes payable, net	1,687,655	175,776	(216,465)	1,646,966	83,849
Deferred revenue	8,333	2,863	(1,709)	9,487	980
Total long-term debt and other obligations	<u>\$ 1,695,988</u>	<u>\$ 178,639</u>	<u>\$ (218,174)</u>	<u>\$ 1,656,453</u>	<u>\$ 84,829</u>

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

The net proceeds of bond issues are used to provide financing for rental bond financed housing projects or for homeownership residential housing units. The bond proceeds are deposited with and invested by various bank trust departments in qualified investments until required for such financing. These bonds are obligations of the Commission and are not liabilities of the state of Missouri. A summary of bonds payable outstanding at June 30, 2009 and 2008, follows (*in thousands*), including the applicable calendar date reference for future maturities or final redemption:

	Original Amount Authorized	Outstanding 2009	2008
<b>Rental Bond – Financed Program</b>			
Series June 1, 1988, redeemed in 2009***	\$ 3,905	\$ -	\$ 780
Series 1989A Wyatt Park redeemed in 2008*	965	-	805
Series September 1, 1989, Westminster Place (9.25%), due 2030***	1,845	1,385	1,415
Series 1996A Truman Farm Villas (5.75% to 6.20%), due 2011 - 2028**	7,700	6,880	7,025
Series 1996A Brookstone Village (5.25% to 6.20%), due 2016 - 2028**	8,400	7,005	7,100
Series 1999 O'Fallon Place Apts. (4.40% to 5.25%), due 2009 - 2032*,**	6,710	5,740	5,845
Series 1999 The Mansion Apts. Phase II (6.125% to 6.170%), due 2022 - 2032**	6,730	6,100	6,200
Series 1999 East Hills Village Apts. (7.3%), due 2030**	2,750	2,515	2,560
2000 Series 1 (5.55% to 6.10%), due 2009 - 2031	11,540	9,705	9,900
2001 Series I (4.30% to 5.25%), due 2009 - 2027	21,780	5,860	6,600
2001 Series II (4.65% to 5.50%), due 2009 - 2023	46,360	7,820	9,195
2001 Series III (4.50% to 5.25%), due 2009 - 2021	22,850	1,550	1,685
2001 Series 1A (4.25% to 5.375%), due 2009 - 2033	7,300	4,685	4,810
2001 Series 2A (5.25% to 5.30%), due 2021 - 2032	3,800	3,350	3,425
Series 2002 G JB Hughes Apts. I & II (6.2% to 6.3%), due 2019 - 2037*,**	2,550	2,382	2,412
Series 2002 H JB Hughes Apts. I & II (6.9%), due 2038**	450	421	435
2002 Series 1 Bevo-Bavarian (5.30% to 5.55%), due 2017 - 2038	12,890	12,140	12,305
2002 Series 2 Columbia Square Townhomes (5.2% to 5.3%), due 2022 - 2034	4,440	3,370	3,460
2002 Series 4 Hawthorne Place Apts. (5.15% to 5.20%), due 2022 - 2034	20,505	13,660	13,910
2003 Series 1 Pevely Square Apts. (5.2% to 5.3%), due 2023 - 2034	5,105	2,495	2,545
2003 Series 2 Parkview Place Apts. (3.45% to 5.25%), due 2009 - 2035	5,715	4,680	4,930
2003 Series 3 Hyder Elderly Apts. (3.650% to 5.625%), due 2009 - 2040	3,965	3,770	3,820
2003 Series 4 Ridge Crest Apts. (4.60% to 5.45%), due 2013 - 2035	3,925	2,505	2,595
2003 Series 5 Kensington Heights Apts. (3.15% to 5.28%), due 2009 - 2040	5,075	4,805	4,875
2003 Series 6 Historic Ellison Apts. (2.85% to 5.00%), due 2009 - 2035	5,280	2,090	2,130
2003 Series 7 Autumn House/Jefferson Manor (4.3% to 5.1%), due 2013 - 2035	4,695	4,380	4,465
2003 Series 8 Stratford Commons (3.15% to 5.20%), due 2009 - 2035	4,385	2,130	2,170
2003 Series 9 Rural Development Apts. (4.35% to 5.10%), due 2013 - 2034	8,590	3,365	3,430
Total forward	240,205	124,788	130,827

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

	Original Amount Authorized	Outstanding 2009	Outstanding 2008
Total forward	\$ 240,205	\$ 124,788	\$ 130,827
<b>Rental Bond – Financed Program (Continued)</b>			
2003 Series 10 Hidden Valley Apts. (3.125% to 5.100%), due 2009 - 2036	10,880	10,240	10,435
2004 Series 1 Hickory Townhomes (4.05% to 4.95%), due 2018 - 2036	3,160	2,975	3,035
2004 Series 2 Winter Garden Apts. (2.90% to 4.95%), due 2009 - 2035	4,190	3,890	3,970
2004 Series 3 Woodlen Place Apts. (5.10% to 5.33%), due 2018 - 2035	1,800	1,275	1,295
2004 Series 4 Festus Gardens Apts. (5.25%), due 2036	5,990	4,240	4,310
2004 Series 5 FP-San Remo Apts. (4.05% to 5.45%), due 2010 - 2036	3,785	2,235	2,275
2004 Series 6 Allen Market Lane Apts. (4.70% to 5.15% ), due 2018 - 2036	6,735	3,495	3,555
Series 2004 Bridgeport Apts. (6.6%), due 2041**	6,580	6,449	6,504
2005 Series 1 St. Louis Brewery Apts. (4.5% to 4.9%), due 2020 - 2036	8,125	3,340	3,400
2005 Series 2 Meadowglen Apts. (3.20% to 4.85%), due 2009 - 2042	8,540	6,850	6,940
2005 Series 3 Olde Oak Tree & Landmark Towers (4.15% to 4.80%), due 2016 - 2036	6,520	5,850	5,960
2005 Series 4 Park Place Apts. (3.45% to 4.70%), due 2009 - 2037	10,330	9,905	10,090
2005 Series 5 Hawkins Village Apts. (3.70% to 5.00%), due 2009 - 2042	5,335	5,165	5,235
2005 Series 6 Ivanhoe Gardens Apts. (3.625% to 4.875%), due 2009 - 2036	4,240	2,535	2,585
2005 Series I-A and I-B Lakewood Apts. (5.25%), due 2035*, **	2,750	1,380	1,400
2005 Series II ChapelRidge of St. Joseph (6.3%), due 2047**	7,150	7,069	7,113
2005 Series III ChapelRidge of Union (6.4%), due 2047**	6,375	6,305	6,343
2005 Series IV ChapelRidge of Blue Springs (6.4%), due 2047**	9,800	9,717	9,773
2006 Series 1 Meadow Ridge Townhouses (3.8% to 5.0%), due 2009 - 2037	6,360	3,170	3,330
2006 Series 2 Ashley Park Apts. (3.750% to 4.875%), due 2009 - 2037	7,290	6,395	6,505
2006 Series 3 Eureka & Wendell Apts. (3.80% to 5.00%), due 2009 - 2047	3,165	3,105	3,135
2006 Series 4 Justin Place Apts. (4.00% to 5.00%), due 2009 - 2042	5,640	2,225	2,255
2006 Series 5 Metropolitan Village Apts. (4.00% to 5.00%), due 2009 - 2038	5,960	5,870	5,960
2006 Series I Bainbridge Apts. (5.75%), due 2016 - 2048**	15,046	4,488	13,822
2006 Series II Georgian Court Apts. (5.75%), due 2016 - 2048**	8,721	2,379	2,442
2006 Series III Linda Vista Apts. (5.75%), due 2016 - 2048**	5,329	1,146	1,176
2006 Series IV Washington Apts. (6.568%), due 2024**	7,500	2,841	2,870
2006 Series V Lost Tree South Apts. (6.244%), due 2026**	4,400	3,146	3,185
2006 Series VI Mill Pond Apts. redeemed 2009**	3,500	-	3,500
2006 Series VII Cedar Tree Apts. (5.73%), due 2026**	2,500	1,774	1,790
2006 Series VIII Elmwood Estates Apts. (5.73%), due 2026**	3,200	2,709	2,734
2006 Series IX Catalpa Tree Apts. (5.73%), due 2026**	1,800	1,320	1,333
2006 Series X Center Apts. (5.73%), due 2026**	1,900	1,228	1,239
2007 Series 1 Linden Campus Apts. (3.85% to 4.70%), due 2009 - 2048	3,980	1,980	3,980
2007 Series I Park Ridge Apts. (5.665%), due 2039**	12,000	10,977	12,000
2007 Series II Mexico I Apts. (5.88%), due 2026**	1,100	681	689
2007 Series III Princeton Manor Apts. (variable rate), due 2027**	2,152	1,587	2,152
Total forward	454,033	274,724	299,142

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

	Original Amount Issued	Outstanding	
		2009	2008
Total forward	\$ 454,033	\$ 274,724	\$ 299,142
<b>Rental Bond – Financed Program (Continued)</b>			
2007 Series IV Oakwood Terrace Apts. (variable rate), due 2027**	970	783	970
2007 Series V Westside Apts. (variable rate), due 2027**	2,400	898	2,400
2007 Series VI Longfellow Apts. (variable rate), due 2040**	6,400	6,400	6,400
	<u>463,803</u>	<u>282,805</u>	<u>308,912</u>
Less: Unamortized debt discount	-	(164)	(173)
Add: Unamortized debt premium	-	30	32
Less: Deferred amount on refunding	-	(402)	(465)
	<u>463,803</u>	<u>282,269</u>	<u>308,306</u>
<b>Homeownership Bond – Financed Program</b>			
1995 Series B (5.90% to 6.45%), due 2009 - 2027*	30,000	1,950	2,235
1995 Series C redeemed 2009*	30,000	-	185
1996 Series A redeemed 2009*	41,000	-	300
1996 Series C redeemed 2008*	32,925	-	370
1996 Series D redeemed 2008*	46,640	-	1,450
1997 Series A-4 redeemed 2009*	10,000	-	250
1997 Series B (5.30% to 6.85%), due 2009 - 2029*	64,500	3,440	4,315
1997 Series C (5.10% to 6.55%), due 2009 - 2029*	55,625	1,850	2,605
1998 Series B (4.90% to 6.40%), due 2009 - 2029*	70,000	4,265	5,295
1998 Series D (4.80% to 6.50%), due 2009 - 2029*	70,000	4,570	5,535
1998 Series E (4.70% to 6.45%), due 2009 - 2029*	50,000	3,983	4,731
1999 Series I (5.10%), due 2030	5,095	405	585
1999 Series A (4.55% to 6.30%), due 2009 - 2030*	75,000	7,440	8,965
1999 Series B (5.05% to 6.70%), due 2009 - 2030*	75,000	5,230	6,405
1999 Series C (5.25% to 6.95%), due 2009 - 2030*	75,000	4,805	5,530
2000 Series A (5.70% to 7.50%), due 2009 - 2031*	98,135	3,920	4,835
2000 Series B (5.70% to 7.45%), due 2009 - 2031*	70,000	4,085	4,780
2000 Series C (5.15% to 7.15%), due 2009 - 2032*	84,390	6,775	8,215
2001 Series A (4.50% to 6.35%), due 2009 - 2033*	100,000	13,255	15,845
2001 Series B (4.60% to 6.85%), due 2009 - 2033*	70,000	10,970	12,205
2001 Series C (4.10% to 6.23%), due 2009 - 2033*	46,490	12,070	13,265
2002 Series A (4.40% to 6.75%), due 2009 - 2034*	45,000	7,995	9,245
2002 Series B (4.20% to 6.66%), due 2009 - 2034*	80,000	15,750	18,070
2002 Series C (3.45% to 6.00%), due 2009 - 2034*	80,000	23,410	27,180
2003 Series A (3.60% to 5.78%), due 2009 - 2035*	50,000	19,020	21,850
	<u>1,454,800</u>	<u>155,188</u>	<u>184,246</u>
Total forward	1,454,800	155,188	184,246



# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

	Original Amount Authorized	Outstanding 2009	2008
Total forward	\$ 1,454,800	\$ 155,188	\$ 184,246
<b>Homeownership Bond – Financed Program (Continued)</b>			
2003 Series B (3.300% to 5.375%), due 2009 - 2034*	78,795	31,350	35,910
2003 Series C (3.15% to 5.35%), due 2009 - 2034*	60,000	31,085	34,195
2003 Series D (3.10% to 5.55%), due 2009 - 2034*	70,000	32,865	36,985
2004 Series A (2.90% to 5.15%), due 2009 - 2035*	57,280	34,020	38,435
2004 Series B (4.10% to 6.35%), due 2009 - 2035*	60,000	31,840	34,180
2004 Series C (3.55% to 6.00%), due 2009 - 2035*	60,000	37,030	41,875
2004 Series D (3.10% to 5.50%), due 2009 - 2035*	40,000	26,425	30,190
2005 Series A (3.25% to 5.90%), due 2009 - 2036*	54,680	36,595	41,671
2005 Series B (3.60% to 5.80%), due 2009 - 2036*	75,000	54,830	62,480
2005 Series C (3.40% to 5.60%), due 2009 - 2036*	68,000	51,860	57,180
2005 Series D (3.6% to 6.0%), due 2009 - 2036*	50,000	39,190	43,770
2006 Series A (3.625% to 6.000%), due 2009 - 2037*	50,000	41,085	45,835
2006 Series B (3.80% to 6.05%), due 2009 - 2037*	100,000	83,715	92,185
2006 Series C (3.90% to 5.90%), due 2009 - 2037*	60,000	51,590	57,070
2006 Series D (4.95% to 6.15%), due 2009 - 2037*	70,000	55,635	66,065
2006 Series E (5.60% to 5.88%), due 2037*	40,000	31,685	38,905
2007 Series A (4.625% to 6.000%), due 2009 - 2038*	50,000	44,735	48,990
2007 Series B (5.04% to 5.78%), due 2017 - 2038*	35,000	30,705	34,155
Draw Down Series 2007A redeemed 2008	100,000	-	47,971
2007 Series C (4.70% to 6.25%), due 2009 - 2038*	100,000	95,645	100,000
2007 Series D (4.70% to 6.50%), due 2009 - 2038*	50,000	46,205	50,000
2007 Series E (4.50% to 5.60%), due 2009 - 2038*	66,000	64,140	66,000
2008 Series A (2.50% to 5.70%), due 2009 - 2039*	50,000	49,040	50,000
2008 Series B (3.00% to 5.75%), due 2009 - 2034*	65,000	64,830	-
Draw Down Series 2008A (variable), due 2010	100,000	57,597	-
2008 Series C-1 (5.615%), due 2039*	8,000	8,000	-
2008 Series C-2 (4.48%), due 2039*	12,000	12,000	-
2008 Series C-3 (5.24%), due 2039*	10,000	10,000	-
2008 Series C-4 (5.06%), due 2039*	10,000	10,000	-
2009 Series B-1 (4.63%), due 2040*	10,000	10,000	-
	<u>3,114,555</u>	<u>1,328,885</u>	<u>1,338,293</u>
Less: Unamortized debt discount	-	(95)	-
Add: Unamortized debt premium	-	35,104	40,422
Less: Deferred amount on refunding	-	(829)	(881)
	<u>3,114,555</u>	<u>1,363,065</u>	<u>1,377,834</u>
Total	<u>\$ 3,578,358</u>	<u>\$1,645,334</u>	<u>\$1,686,140</u>

# Missouri Housing Development Commission

## Notes to Financial Statements

### June 30, 2009 and 2008

The proceeds of bond issues denoted by “\*” are used to purchase GNMA, Fannie Mae and FHLMC mortgage-backed securities, which are backed by mortgage loans originated through the Commission’s loan programs.

The proceeds of bond issues denoted by “\*\*” are used to provide financing for multifamily rental housing projects. These bonds are limited obligation, conduit debt issued by the Commission, payable solely from and secured by a loan agreement between the Commission and the borrower. The total aggregate amount of conduit debt outstanding was \$104,320,000 at June 30, 2009, and \$121,412,000 at June 30, 2008.

The bond issues denoted by “\*\*\*” are general obligation bonds. All other bond issues are revenue bonds and conduit debt as described previously.

During the fiscal years ended June 30, 2009 and 2008, the Commission repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds. Net gains of \$2,530,000 and \$2,212,000 for the years ended June 30, 2009 and 2008, respectively, on early extinguishment of debt have been recorded and included with other income. These gains arise as a result of immediate recognition of deferred bond issuance costs, bond discounts or premiums that would have been amortized over the life of the applicable bond issue if not retired, and call premiums as required by the applicable bond indentures. Certain redemptions resulted from current refundings consummated through issuance of the Commission’s Draw Down Series 2008A and Draw Down Series 2007A, which were authorized for a maximum issuance amount of \$100,000,000 each and had cumulative draw downs of \$60,211,000 and \$81,490,000 during the fiscal years ended June 30, 2009, and June 30, 2008, respectively. Due to the short-term nature of these Draw Down Series, there is no economic gain or loss and the difference between the reacquisition price and the net carrying amount of the old debt was recognized in current income. The bonds were issued at par value bearing variable interest equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index for tax-exempt weekly variable rate demand bonds plus 0.65%, subject to certain minimum and maximum rates. On June 30, 2009, the interest rate on the Draw Down Series bonds was 0.27% and on June 30, 2008, the interest rate on the outstanding Draw Down Series bonds was 2.27%. Proceeds of \$57,597,000 as of June 30, 2009, and \$47,971,000 as of June 30, 2008, from these bond issues were outstanding and included in restricted cash equivalents and restricted investments. The Draw Down Series 2007A bonds were fully redeemed during fiscal year 2009. The Draw Down Series 2008A bonds were fully paid on their mandatory tender date on August 1, 2009.

All bonds have early redemption provisions. A summary of future annual scheduled principal and interest maturities, which excludes unamortized debt discounts and premiums, follows (*in thousands*):

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

<b>Bonds Maturing During Years</b>				
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2010	\$ 79,334	\$ 76,594	\$	155,928
2011	19,303	75,352		94,655
2012	20,129	74,522		94,651
2013	19,593	73,722		93,315
2014	18,055	72,913		90,968
2015 - 2019	94,527	352,939		447,466
2020 - 2024	103,581	332,828		436,409
2025 - 2029	196,576	297,743		494,319
2030 - 2034	257,865	246,941		504,806
2035 - 2039	762,697	111,891		874,588
2040 - 2044	29,155	1,977		31,132
2045 - 2049	9,975	432		10,407
2050 - 2054	900	-		900
	<u>\$ 1,611,690</u>	<u>\$ 1,717,854</u>	<u>\$</u>	<u>3,329,544</u>

In addition to bonds payable at June 30, 2009 and 2008, the Commission had fixed rate notes payable totaling \$1,632,000 and \$1,515,000, respectively. The fixed rate notes pay monthly interest with a final principal balloon payment due at maturity as follows (*in thousands*):

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	0% to 3.4%	\$ 1,132	\$ 30	\$ 1,162
2011	3.64%	<u>500</u>	<u>12</u>	<u>512</u>
		<u>\$ 1,632</u>	<u>\$ 42</u>	<u>\$ 1,674</u>

### Note 6: Escrow Deposits and Rent Subsidies Payable

Escrow deposits represent funds paid by project mortgagees for real estate taxes, insurance, future replacement of property and other costs.

Rent subsidies payable represent funds received from HUD for payment of rent subsidies to participants in the Housing Assistance Programs and for other programs.

Such funds held by the Commission are included in restricted cash, restricted cash equivalents and restricted investments.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### Note 7: Restrictions and Designations

#### *Restricted Cash and Investments*

Substantially all of the assets of each bond program of the Commission are pledged as collateral for the payment of principal and interest on bond indebtedness of that program. Therefore, all related bond program assets of the Commission that are pledged as collateral are treated as restricted and noncurrent. The obligations of the Commission are not obligations of the State, and the State is not liable for such obligations. The Trust Indentures between the Commission and the Trustees establish special accounts for the segregation of assets and restrictions of the use of bond proceeds and certain other funds received.

Resolutions of the Commission require that, to the extent funds are available in the general account of each bond fund, they are to be transferred to a debt service account on a periodic basis, from the date of bond issuance to the date of each succeeding maturity, sufficient to make principal and interest payments on the bonds as they become due. Funds within the general account of each bond fund are on deposit in restricted accounts.

In addition, the statute and resolutions of the Commission require that for certain bond issues an amount be maintained in reserve accounts to be used to make principal and interest payments on payment due dates. Such amounts are on deposits in restricted accounts for the various issues within the Rental Bond-Financed and Homeownership Bond-Financed Programs.

As of June 30, 2009 and 2008, the assets of all accounts equaled or exceeded the requirements as established by the Trust Indentures. Such assets are restricted as follows:

	2009	2008
Program and Construction Funds – construction escrows and other restricted funds	\$ 9,733	\$ 9,978
Mortgage Escrow Accounts – insurance, taxes, replacement reserves and other mortgage escrows	72,934	66,917
Federal Program Funds	1,256	1,266
Missouri Housing Trust Fund	5,839	5,969
Bond Proceeds Accounts – funds for purchase of qualified mortgage-backed securities or mortgage loans and payment of cost of issuance	27,758	13,923
Revenue and Debt Service Funds – program revenues for debt services payments	227,453	173,896
Debt Service and Other Bond Reserve Accounts – reserves held as required by bond indentures, including: debt service reserves, mortgage reserves and capitalized interest	23,878	15,451
	<u>\$ 368,851</u>	<u>\$ 287,400</u>

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### **Restricted Net Assets**

Pursuant to certain bond resolutions, the Commission has restricted the net assets of the Rental Bond-Financed Mortgage Program and the Homeownership Bond-Financed Program to maintain a level of reserves necessary to provide sound fiscal operations. In addition, net assets associated with the federal grant agreements of the HOME Investment Partnership Program and Rural Housing and Economic Development are restricted. In fiscal year 1997, the Commission acquired a portfolio of loans from HUD. Revenues collected from these HUD-purchased loans are restricted by an agreement between the Commission and HUD to be used primarily for rehabilitation loans or grants.

Pursuant to State Statute, the Commission has restricted the amount of net assets representing revenues over expenses related to the financial activity of the Missouri Housing Trust Fund. The Missouri Housing Trust Fund is authorized by Section 215.034, RSMo. Revenues of the Missouri Housing Trust Fund are restricted to programs that financially assist, through loans or grants, the development of housing stock and that provide housing assistance to persons and families with incomes at or below specified levels.

Below is a summary of restricted net assets by bond resolution and State Statute as of June 30, 2009 and 2008 (*in thousands*):

	<b>2009</b>	<b>2008</b>
<b>Restricted Net Assets</b>		
Restricted by bond resolution	\$ 132,483	\$ 78,615
Restricted by Grant Agreement – HOME Investment Partnership Program	131,501	125,153
Restricted by Grant Agreement – Rural Housing and Economic Development	165	309
Restricted earnings of HUD-purchased Loans	9,475	9,274
Restricted by State Statute – Missouri Housing Trust Fund	6,041	6,215
Total restricted net assets	<u>\$ 279,665</u>	<u>\$ 219,566</u>

### **Commission Designated Net Assets**

The Commission has designated certain unrestricted assets for its affordable housing programs. The Commission has the discretion to reverse any designated net assets and as of June 30, 2009 and 2008, has designated the following amounts (*in thousands*):

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Designated By Commission For</b>		
Tenant assistance	\$ 55,350	\$ 50,895
Loans not funded by a bond sale	92,007	103,073
Loan commitments not yet disbursed	10,409	11,628
Home Improvement and Multifamily		
Interest Subsidy Program	5,272	5,164
Single Family Forward Delivery Program	20,000	15,000
Single Family Tax Credit Advance Loan Program	6,000	-
Single Family Cash Assistance Program	6,975	9,000
Rural Initiative Program	967	957
	<u>          </u>	<u>          </u>
Total commission designated	<u>\$ 196,980</u>	<u>\$ 195,717</u>

### Note 8: Pension Plan

All eligible Commission employees participate in the Missouri State Employees' Plan (MSEP). This plan is a single-employer public employee defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. The plan is administered by the Missouri State Employees' Retirement System (MOSERS). MSEP provides retirement, death and disability benefits to its members. As established by Missouri State Statutes, responsibility for the operation and administration of MSEP is vested in the Missouri State Employees Retirement System Board of Trustees. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information for MSEP. That report may be obtained by writing to the Missouri State Employees Retirement System, P.O. Box 209, Jefferson City, Missouri 65102, or by calling 1.800.827.1063.

Covered employees do not contribute toward MSEP. The employer is required to contribute at an actuarially determined rate. The contribution requirements for the years ended June 30, 2009, 2008 and 2007, was \$750,000, \$718,000 and \$695,000, respectively, of which the Commission contributed 100%. These contributions represent 12.3%, 12.8% and 12.7% of total salaries during 2009, 2008 and 2007, respectively. These contributions are expensed by the Commission when incurred.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

The annual required contributions for MSEP for the current year was determined as part of an actuarial valuation of MSEP as of June 30, 2007, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MSEP includes (a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4% per year annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 2.7% per year for MSEP, depending on age, attributable to seniority and/or merit and (d) the assumption that benefits will increase between 2.8% and 4% per year after retirement. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a five-year period.

As determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the Commission has no pension liability, as required contributions are paid when due. This treatment is consistent with prior years.

### Note 9: Other Postemployment Benefits

In addition to the retirement benefits described in *Note 8*, the state of Missouri (the "State") provides postemployment health care and life insurance benefits, in accordance with state statutes, to eligible Commission employees who retire and elect to participate. These health care benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP). This plan is a single-employer defined benefit plan in which the Commission participates under a special cost-sharing multiple employer arrangement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for MCHCP. That report may be obtained by writing to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, Missouri 65110-4355, or on their website at [www.mchcp.org](http://www.mchcp.org). There are currently six Commission retirees enrolled for health care benefits. The life insurance benefits are administered by the Missouri State Employees' Retirement System (MOSERS). The eligible number of retirees for MOSERS for life insurance benefits is 31. Health care benefits are funded through both employer and retiree contributions. MOSERS life insurance benefits are funded through employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For each year of retirees' service, the State will pay 2.5% of the monthly health care premium, up to a maximum of 75%, subject to State appropriation. The retiree pays the balance of the premiums. To fund the State's portion, effective July 2008, the State assesses a charge of 4.80% of total employee salary at the Commission. The charge assessed is independent of how many retirees the Commission may have receiving benefits. Expenses for postretirement health care benefits charged to the Commission by the State are recognized when incurred. During fiscal year 2009, 2008 and 2007, expenses of approximately \$262,000, \$244,000 and \$200,000 were recognized for postretirement health care benefits, respectively, which represents 100% of the required amount.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### Note 10: Commitments and Contingencies

The Commission rents office space in Kansas City, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease and can be extended at the option of the Commission for two successive five-year periods.

The Commission rents office space in St. Louis, Missouri, in accordance with a 10-year lease, which is accounted for as an operating lease.

Lease expenditures for the years ended June 30, 2009 and 2008, were \$845,000 and \$863,000, respectively. Future minimum lease payments for these leases are as follows (*in thousands*):

Year	Amount
2010	\$ 742
2011	766
2012	544
2013	290
2014	297
2015 - 2017	640
	<u>\$ 3,279</u>

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. The Commission has not had any insurance settlements in any of the last three years.

During fiscal year 2008 and through December 31, 2008, the Commission participated in the state of Missouri self-insured workers' compensation program. The Commission is assessed the actual costs of claims incurred, which were nominal in fiscal years 2009 and 2008. Effective January 1, 2009, the Commission carries commercial insurance for workers' compensation, for which there were no insurance settlements in fiscal year 2009.

The Commission is also subject to additional audits, as deemed necessary by its federal grantor agencies, of the Commission's grant programs that may result in disallowed costs to the Commission. However, the Commission's management does not believe such audits would result in any disallowed costs that would be material to the Commission's financial position at June 30, 2009.



# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

### Note 11: Restatement of Beginning Net Assets

During 2008, the Commission retroactively changed its accounting methods as described below, which increased beginning of the year restricted net assets by \$92,209,000, net and unrestricted net assets by \$3,707,000.

During 2008, the Commission capitalized restricted loans financed by the federal HOME Investment Partnership Program. These loans totaled \$119,628,000 net of an allowance for loan losses of \$19,935,000. The Commission also capitalized unrestricted single-family second position mortgage loans totaling \$3,873,000. An estimated allowance for loan losses of \$611,000 related to this portfolio was recorded. In addition, the Commission capitalized prior years' unrestricted loan origination costs of \$445,000.

During 2008, the Commission changed its accounting method to include deferred financing costs, net of servicing release fees, of \$28,369,000 as a cost component of its restricted securitized mortgage loans, which are reported at fair value.

During 2008, the Commission recognized \$950,000 in prior year's HOME Investment Partnership Program income, changing its accounting method to recognize such income in restricted net assets.

### Note 12: Economic Conditions

The current economic environment presents housing finance agencies with unprecedented circumstances and challenges, which in some cases have resulted in large fluctuations in the fair value of investments and mortgage-backed securities, declines in investment earnings, constraints on liquidity and difficulty obtaining financing, particular in the tax-exempt capital markets. The financial statements have been prepared using values and information currently available to the Commission.

The Commission is a participant in the financial industry through its ongoing contractual arrangements with financial institutions such as investment banks, commercial banks and investment agreement providers. In the current economic environment, it is possible that a financial institution could have financial difficulty in the near term that could impact its ability to honor its contractual obligations, which could negatively impact the financial condition of the Commission. In the current year, several investment agreement contracts were terminated at the Commission's request and funds returned to the Commission's trustee accounts. Resulting reinvestment rates have resulted in a decline in investment earnings.

The Commission's investment securities are exposed to various risks such as interest rate, market and credit risks as described in *Note 3*. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet. Significant declines in investment values and investment earnings could have an adverse impact on the Commission's reported operating results.

# Missouri Housing Development Commission

## Notes to Financial Statements

June 30, 2009 and 2008

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for loan losses that could result in a severe economic downturn, negatively impact the Commission's ability to meet debt covenants or maintain sufficient liquidity. Further, liquidity constraints and challenging tax-exempt capital markets could negatively impact the Commission's continued funding of its bond-financed programs and its many significant fund balance programs.

### Note 13: Subsequent Events

In December 2008, the Commission authorized Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2009 Series A. In accordance with this authorization, a bond purchase agreement was executed in June to sell bonds totaling \$30,000,000, which were closed and delivered in July 2009.

In March 2009, the Commission authorized a private placement sale of taxable Single Family Mortgage Revenue Bonds (Homeownership Loan Program) 2009 Series B bonds in the amount of \$100,000,000. During May 2009 \$10,000,000 of these bonds were closed. During fiscal year 2010 the remaining bonds may be sold and will not exceed \$90,000,000.

In July 2009, the Commission authorized Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2009 Series C. In accordance with this authorization, a bond purchase agreement was executed in August to sell bonds totaling \$40,000,000, which were closed and delivered in September 2009.

In August 2009, the Commission authorized Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2009 Series D. It is expected that these bonds will be issued during fiscal year 2010 and will not exceed \$60,000,000.

In September 2009, the Commission authorized Single Family Mortgage Revenue Bonds (Homeownership Loan Program), 2009 Series E. It is expected that these bonds will be issued during fiscal year 2010 and will not exceed \$50,000,000.

## **Supplementary Information**

# Missouri Housing Development Commission

## Combining Balance Sheet

June 30, 2009

(In Thousands)

	Operating	Rental Bond-Financed Program	Homeownership Bond-Financed Program	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 15,723	\$ -	\$ -	\$ 15,723
Investments	31,864	-	-	31,864
Mortgage investments	7,777	-	-	7,777
Accrued interest receivable	1,989	-	-	1,989
Accounts receivable – other	636	-	-	636
Prepaid expenses	35	-	-	35
	<u>58,024</u>	<u>-</u>	<u>-</u>	<u>58,024</u>
Total current assets				
	<u>58,024</u>	<u>-</u>	<u>-</u>	<u>58,024</u>
<b>Noncurrent Assets</b>				
Restricted assets				
Cash and cash equivalents	6,195	19,945	92,236	118,376
Investments	12,522	79,190	158,763	250,475
Mortgage investments	155,104	276,123	1,224,559	1,655,786
Accrued interest receivable	283	1,255	6,369	7,907
Deferred financing charges	-	119	11,491	11,610
Accounts receivable – other	618	(618)	-	-
	<u>174,722</u>	<u>376,014</u>	<u>1,493,418</u>	<u>2,044,154</u>
Total restricted assets				
	<u>174,722</u>	<u>376,014</u>	<u>1,493,418</u>	<u>2,044,154</u>
Investments	143,202	-	-	143,202
Mortgage investments, net of current portion and allowances for loan losses of \$42,768	63,797	-	-	63,797
Capital assets, less accumulated depreciation of \$1,942	1,214	-	-	1,214
	<u>382,935</u>	<u>376,014</u>	<u>1,493,418</u>	<u>2,252,367</u>
Total noncurrent assets				
	<u>382,935</u>	<u>376,014</u>	<u>1,493,418</u>	<u>2,252,367</u>
Total assets	<u>\$ 440,959</u>	<u>\$ 376,014</u>	<u>\$ 1,493,418</u>	<u>\$ 2,310,391</u>

	<b>Operating</b>	<b>Rental Bond-Financed Program</b>	<b>Homeownership Bond-Financed Program</b>	<b>Total</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Bonds and notes payable	\$ 1,132	\$ -	\$ -	\$ 1,132
Accounts payable	1,162	-	-	1,162
Deferred revenue	980	-	-	980
	<u>3,274</u>	<u>-</u>	<u>-</u>	<u>3,274</u>
Total current liabilities				
	<u>3,274</u>	<u>-</u>	<u>-</u>	<u>3,274</u>
<b>Current Liabilities – Payable From Restricted Assets</b>				
Bonds and notes payable	-	8,341	74,376	82,717
Accrued interest payable	-	4,141	21,928	26,069
Escrow deposits	5,326	64,817	-	70,143
Rent subsidies and other payables	519	-	-	519
Accounts payable	-	250	479	729
	<u>-</u>	<u>250</u>	<u>479</u>	<u>729</u>
Total current liabilities – payable from restricted assets				
	<u>5,845</u>	<u>77,549</u>	<u>96,783</u>	<u>180,177</u>
<b>Noncurrent Liabilities</b>				
Bonds and notes payable	500	-	-	500
Deferred revenue	8,507	-	-	8,507
Payable from restricted assets				
Bonds and notes payable	-	273,928	1,288,689	1,562,617
	<u>9,007</u>	<u>273,928</u>	<u>1,288,689</u>	<u>1,571,624</u>
Total noncurrent liabilities				
	<u>9,007</u>	<u>273,928</u>	<u>1,288,689</u>	<u>1,571,624</u>
Total liabilities				
	<u>18,126</u>	<u>351,477</u>	<u>1,385,472</u>	<u>1,755,075</u>
<b>Net Assets</b>				
Invested in capital assets	1,214	-	-	1,214
Restricted	147,182	24,537	107,946	279,665
Unrestricted	274,437	-	-	274,437
	<u>422,833</u>	<u>24,537</u>	<u>107,946</u>	<u>555,316</u>
Total net assets				
	<u>422,833</u>	<u>24,537</u>	<u>107,946</u>	<u>555,316</u>
Total liabilities and net assets				
	<u>\$ 440,959</u>	<u>\$ 376,014</u>	<u>\$ 1,493,418</u>	<u>\$2,310,391</u>

# Missouri Housing Development Commission

## Combining Statement of Revenues, Expenses

### and Changes in Net Assets

Year Ended June 30, 2009

(In Thousands)

		Rental	Homeownership	
	Operating	Bond-Financed Program	Bond-Financed Program	Total
<b>Operating Revenues</b>				
Interest and investment income				
Income – mortgage investments	\$ 5,754	\$ 11,055	\$ 65,947	\$ 82,756
Income – investments	8,217	748	3,948	12,913
Net increase in fair value of investments	1,812	669	47,205	49,686
Total interest and investment income	15,783	12,472	117,100	145,355
Administration fees	7,042	-	-	7,042
Other income	7,259	(35)	2,571	9,795
Federal program income	125,043	-	-	125,043
Total operating revenues	155,127	12,437	119,671	287,235
<b>Operating Expenses</b>				
Interest expense on bonds	47	9,216	68,246	77,509
Bond debt expense	65	127	159	351
Compensation	8,780	-	-	8,780
General and administrative expenses	4,034	-	-	4,034
Provision for loan and real estate owned losses	-	-	-	-
Rent and other subsidy payments	1,402	-	-	1,402
Housing Trust Fund grants	4,507	-	-	4,507
Federal program expenses	119,887	-	-	119,887
Total operating expenses	138,722	9,343	68,405	216,470
<b>Change in Net Assets</b>	16,405	3,094	51,266	70,765
<b>Net Assets, Beginning of Year</b>	405,936	23,527	55,088	484,551
<b>Interfund Transfers</b>	492	(2,084)	1,592	-
<b>Net Assets, End of Year</b>	\$ 422,833	\$ 24,537	\$ 107,946	\$ 555,316